

Algeria	50.22	Indonesia	10.3100	Peru	10.100
Bahamas	10.0000	Israel	10.3100	Saudi Arabia	10.100
Belgium	10.0000	Italy	10.3100	Singapore	10.100
Canada	10.0000	Japan	10.3100	South Korea	10.100
Ceylon	10.0000	Malaysia	10.3100	Sri Lanka	10.100
Dominican	10.0000	Philippines	10.3100	Sweden	10.100
Egypt	10.0000	Spain	10.3100	Switzerland	10.100
France	10.0000	Taiwan	10.3100	Thailand	10.100
Germany	10.0000	UK	10.3100	USA	10.100
Greece	10.0000	Yugoslavia	10.3100		
Hong Kong	10.0000				
India	10.0000				

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER  
No. 30,281  
Friday July 10 1987  
D 8523 A

Australian poll: sales pitch moves to the right, Page 14

## World News Business Summary

### Marcos 'planned to seize Aquino'

The Philippine Government produced tape recordings indicating that former President Ferdinand Marcos planned to stage a coup and kidnap Mrs Corason Aquino, his successor. Mrs Aquino thanked the US Government for barring Mr Marcos from leaving Hawaii. Page 16

### Benetton moves into financial services

BENETTON, Italian casual clothing group, has unveiled plans to diversify into financial services and merchant banking. The company has recruited Mr Giovanni Franzini, a former Merrill Lynch investment banking officer, to become managing director of its new financial services company. Page 17

### Fanfani steps down

Italian caretaker Premier Amintore Fanfani handed in his resignation, clearing the way for President Francesco Cossiga to begin talks on forming a government. Page 2

### Amnesty for Kim

South Korea's Government announced an amnesty for 2,335 people, including opposition leader Kim Dae Jung who has been banned from politics. Peaceful funeral, Page 4

### Australian poll

Australian Prime Minister Bob Hawke goes into tomorrow's federal election with opinion polls predicting a third term for his Labor Party. Page 3

### Delhi protest

Police fired tear gas and arrested more than 200 people in New Delhi where crowds stoned and tried to burn Sikh homes, temples and shops during a protest strike against the massacre of 70 Hindu bus passengers. Page 5

### Sudan expulsions

Sudan ordered 20 foreign relief organisations that channel food to the hungry to quit the country by the end of August - because they had failed to follow registration procedures. Page 6

### Swedish price thaw

The Swedish Government said it was further easing a general price freeze imposed in January by taking restrictions off the cost of cars, transport, municipal rates and most food. Page 7

### Kurdish massacre

Kurdish insurgents massacred 28 people, 11 of them children, in two villages in south-east Turkey, hours after Prime Minister Turgut Ozal urged the rebels to give up their struggle for autonomy. Page 8

### Machel crash inquiry

A South African-led inquiry into the crash last October which killed President Samora Machel of Mozambique found that the aircraft's Soviet crew committed a series of errors and was to blame for the disaster. Page 9

## Swiss bank makes takeover approach to Hill Samuel

BY DAVID LASCELLES AND CLIVE WOLMAN IN LONDON

THE UNION BANK OF SWITZERLAND has made a takeover approach to the Hill Samuel Group, one of the City of London's leading merchant banking and financial services groups. The deal, potentially worth more than £200m, would create one of the largest financial groups in London, including the largest stock exchange member firm with an estimated 10 per cent share of the UK securities business.

The board of Hill Samuel said yesterday that it was willing to consider UBS's proposals. But in a dramatic development, Mr Christopher Castleman, the chief executive, resigned because he opposed the loss of Hill Samuel's independence that would result from the deal.

Sir Robert Clark, Hill Samuel's chairman, who yesterday assumed Mr Castleman's responsibilities, said that the rest of his 14-man board fully supported the opening of merger negotiations. A merger with UBS, he said, is an exceptional opportunity to create one of the most powerful houses in London.

UBS, the largest of Switzerland's Big Three banks, made the approach two weeks ago, after negotiations have yet to reach the detailed stage. But Mr Castleman's resignation forced the two banks to make an announcement. Several weeks of further talks will be necessary, Sir Robert said, before any firm deal is reached.

The move, which comes just two days after parliament voted to lift more than 30 years of martial law, could make life much easier for businessmen who have often complained of bureaucracy and delays in foreign-currency dealings.

It could also prove a boon for foreign stock, bond, and property markets as the Taiwanese cast about for investment opportunities, and could make Taiwan a more attractive investment proposition for foreign companies as well.

The Government imposed the controls in 1950, shortly after it fled to Taiwan from China. The controls required exporters and individuals to surrender their foreign-currency earnings and holdings to the Central Bank, which exchanged them for New Taiwan dollars.

Foreign investment applications were screened on a case-by-case basis, and local citizens only recently were allowed to have direct access to foreign capital markets.

## Taiwanese end controls on overseas investment

BY BOB KING IN TAIPEI

THE TAIWANESE Government yesterday ended almost four decades of stringent currency controls and lifted restrictions on individuals to invest abroad freely.

Yesterday's decision by the cabinet, which was widely expected, comes after an embarrassing increase in foreign currency reserves as a result of Taiwan's large trade surplus, and speculative inflows of capital on the expectation of a revaluation of the New Taiwan dollar.

The country's foreign exchange reserves stand at \$62bn, the third biggest after Japan and West Germany.

Along with the relaxation of exchange controls on capital outflows, the Government will for the first time permit individuals from bringing in more than \$50,000 a year. This is an attempt to end the inflow of speculative money which is estimated at \$2bn a year, according to the past 12 months. Normal trade-related currency movements, however, will not be affected by the restrictions.

With the Government required to exchange foreign-currency earnings into Taiwan dollars, the increase in reserves has threatened to ignite inflation because of the growth in money supply.

The cabinet acted after earlier parliamentary approval of the measure, which at the time denied the executive the right to reimpose controls without the consent of parliament.

Under the new rules, to take effect July 15, individuals and companies will be allowed to remit abroad up to \$5m a year, or its equivalent in other currencies. There will be no restrictions on the use to which the money is put.

The Central Bank first proposed a sweeping revision of the foreign-exchange regulations in January, but was stymied for a time by opposition from conservatives within the cabinet who felt that lifting the controls would cause massive capital flight.

## Third World debt swaps 'may hinder economic adjustment'

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT, IN LONDON

THE GROWING market in the swapping of Third World loans could complicate the already difficult process of economic adjustment and restructuring among debtor countries, a report published today concludes.

The report is by the Group of Thirty, which combines senior figures in international business and finance from the private and public sectors.

A separate study by the group concludes that a solution to the debt crisis requires a greater role for official institutions. Alternative sources of finance, such as equity investments, are unlikely to fill the financing needs of the less developed countries over the next few years, given a probable reduction in new money from commercial banks, the report says.

It suggests an increase in capital of the World Bank will be necessary to permit it to make more loans, although only a modest fraction may be paid up by member countries.

There has been an increasing focus on the growing market in debt swaps, in which loans are rescheduled by the private sector. The Group of Thirty report, written by two officials of the Federal Reserve Bank of New York, Mr David L. Roberts and Mr Eli M. Remolona, concludes that debt swaps can cause significant distortions inhibiting necessary economic adjustment. For example, swaps of debt for equity in domestic companies effectively leads to the creation of a preferential exchange rate, which can distort trade.

The aim of the swaps for debtor countries is often to retire foreign debt and at the same time encourage investment by foreigners or the repatriation of flight capital by residents. Their benefits hinge largely on whether they encourage capital flows into the country that otherwise would not take place. The report draws no conclusions about whether this actually occurs.

Editorial comment, Page 14; details, Page 21

## Iranate officials 'watched North shred documents'

By Lionel Barber in Washington

LT COL OLIVER NORTH yesterday described how he shredded dozens of politically embarrassing documents at the White House in the presence of Justice Department investigators probing the secret US arms sales to Iran.

A dramatic disclosure yesterday to the Joint House of Representatives-Senate Committee investigating the Iran Contra affair, Col North said he shredded the documents to avoid political embarrassment because they related to his role in arming the Nicaraguan Contra rebels during a Congressional ban on US military aid.

The disclosure appears certain to damage Mr Edwin Meese, US Attorney General, who led a fact-finding inquiry into the US arms sales last November.

Col North admitted under cross-examination that the US Justice Department team allowed him to shred documents even after discovering a memorandum in which Col North suggested diverting millions of dollars from profits from the US arms sale to Iran to the Contra rebels.

"They sat in my office and I walked right out to the shredder, which was outside the door, and I added documents," Col North said.

To laughter in the Senate caucus room, he added: "They were working on their projects and I was working on mine."

Mr Meese has already been placed in difficulty because of Col North's testimony over the past three days. Col North suggested yesterday that Mr Meese, despite his denials, knew about US-approved arms shipments from Israel to Iran in late 1985. These shipments had to be ratified by President Reagan afterwards, in order to comply with US law. Mr Meese, as Attorney General, must have helped in the drafting process, Col North said.

Mr Meese's fact-finding inquiry has been criticised by the Iran Contra hearings for being slack and ill-prepared. He used no investigators with criminal experience, and despite Col North's shredding, his White House office was not made secure for at least a week after the initial questioning of the marine lieutenant-colonel.

Earlier in yesterday's hearings, Col North vigorously defended his role in the affair and sought to blame the US Congress for the scandal.

In his opening statement, Col North said he would walk tall with his head high from the hearings and that he was proud of his five years work at the North's niche, the tenacious Mr Sullivan, Page 4

## Gold Fields reduces SA interests

BY STEFAN WAGSTYL IN LONDON AND JIM JONES IN JOHANNESBURG

CONSOLIDATED Gold Fields, the UK-based mining group, is reducing its interests in South Africa, where its fortunes were founded, in order to invest more elsewhere, mainly in the UK, the US and Australia.

The company is selling 10 per cent of its 48 per cent stake in Gold Fields of South Africa (GFSA), its principal South African investment, for £131m (\$212m) to Rembrandt, the South African conglomerate.

Mr Rudolph Agnew, the chairman, said the economic and political outlook for South Africa was "among a whole series of things" which influenced the group's decision. Gold Fields was concerned about the prospects for inflation in South Africa as the country went through "economic and social restructuring."

Gold Fields shares soared 1 1/2 to 1 1/2 on yesterday's announcement.

The terms of the sale allow Gold Fields to maintain its present level of managerial influence over GFSA. The group is putting a 30 per cent stake in GFSA into a holding company, of which Gold Fields will own two-thirds and Rembrandt one-third. Gold Fields will continue to hold separately 18 per cent stake of GFSA, as well as direct stakes in mines managed by GFSA, which include Kloof and Driefontein Consolidated, two of the largest in South Africa.

Mr Agnew said there were no plans "at the moment" to sell any more of GFSA, which was "a core holding."

Rembrandt, which reported net current assets and portfolio investments of R1.6bn (\$782m) in its last published balance sheet, has the resources to increase its stake in GFSA. It said yesterday it did not want a majority shareholding in GFSA, but under the deal with Gold Fields it does have pre-emptive rights over Gold Fields' stake in the joint holding company and over part of Gold Fields' 18 per cent direct stake in GFSA.

Stockbrokers in Johannesburg yesterday saw the deal as a rebuff for Anglo American, which controls 28 per cent of Gold Fields and 20 per cent of GFSA.

The GFSA board in Johannesburg has been concerned over Anglo's ambitions, ever since Anglo acquired its Gold Fields stake after a dawn raid in London five years ago.

## US 'not to retaliate' over Iranian attack

BY STEWART FLEMING IN WASHINGTON

THE UNITED STATES does not intend to retaliate against an Iranian grenade attack which set the US tanker Peconic on fire in the Gulf yesterday, the White House announced.

But the attack seems certain to reignite the controversy over the wisdom of the Reagan Administration's decision to put American ships on 11 Kuwaiti tankers and provide them with military escorts in the Gulf.

"We have no intention of retaliating," Mr Martin Fitzwater, the White House spokesman, said in response to questions about how the US would react to the attack some 60 miles south of Kuwait's Al Ahmadi oil terminal.


The ship, which was on char-

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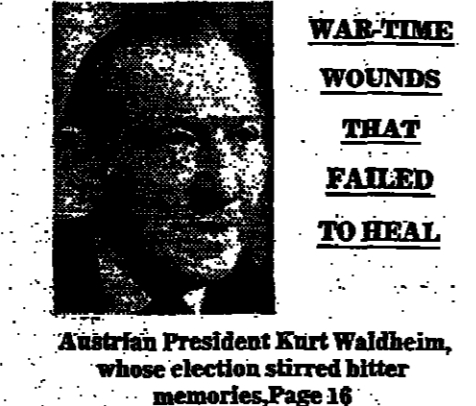


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## OVERSEAS NEWS

## South Korean police keep out of sight for peaceful funeral

BY MAGGIE FORD IN SEOUL

POLICE IN two South Korean cities yesterday allowed hundreds of thousands of people to hold a peaceful funeral march in memory of a student killed after he was hit by a tear gas canister fired during a demonstration.

In Seoul more than 100,000 people including Mr Kim Dae Jung and Mr Kim Young Sam, the two opposition leaders followed the funeral cortege from the dead student's university campus to the centre of the city.

With riot police out of sight, students waving banners filed the main square, singing the national anthem. The authorities allowed the national flag to be lowered to half mast in the student's memory.

The student's body was then taken by family and friends to his home city of Kwangju, where hundreds were killed in an uprising against President Chun Doo Hwan's regime in 1980.

The day of mourning was marred by some violence when a crowd of about 50,000 decided to march towards the presidential mansion. Police stopped the marchers and eventually dispersed them with tear gas. A few dozen students fought police outside the city's Anglican cathedral.

Earlier the Government had announced the amnesty and

restoration of civil rights for 2,335 people, including Mr Kim Dae Jung, who has been banned from politics under a suspended jail sentence for sedition. Mr Kim was charged with fomenting the Kwangju uprising, although he was in jail at the time.

Yesterday he said he planned to visit the city and his hometown 50 miles away, along with other provincial cities to consult people's opinion about his future. Mr Kim said last night, in an effort to persuade President Chun to move towards democracy that he would not stand for President if elections were called. He has since said that large numbers of people have urged him to change his mind.

Many Koreans believe that one contributing factor to the 1979 military coup was the disunity between the two Kim, who campaigned against each other. Mr Kim Young Sam has not yet said whether he plans to stand for the presidency.

Mr Kim Dae Jung called again yesterday for a neutral national interim cabinet to be set up to administer the elections and solve the problem of the Kwangju uprising. Observers are concerned that the military's fear of revenge because of the rebellion is so great that a democratically elected opposition president might not be allowed to take power.

## Richard Gourlay looks at a new solution to a pressing Philippine problem

### Negros faces dilemmas of land reform

THE DEBATE over whether large sugar and coconut estates should be included in a sweeping land reform programme, which President Corason Aquino has said she will sign shortly, is nowhere more intense than on the sugar dominated island of Negros.

The Governor, Mr Danny Lacson, has denounced the Government's latest draft proposal, which calls for redistribution of large, mainly sugar, estates to the tenants and landless labourers. He calls it a recipe for social unrest and further political polarisation where the communist-led insurgency is already strong.

But unlike many critics, Mr Lacson has an alternative that might persuade intransigent landlords to participate. He and other pro-land reform planters

object to the Government's latest proposal to cut landowner holdings of sugar, coconut, and agribusiness lands to a maximum of 7 hectares. The plan to complete a similar programme for rice and corn lands is generally accepted.

They say sugar cane would be torn up and planted to rice or corn. Because of the fall in cane production, as many as eight of the province's 14 mills might have to close. Though the planters have interests in the mills, closure would cut about 3,000 jobs per mill and aggravate the unemployment they in recent years have led to province-wide malnutrition during the slack sugar growing months.

Also they say, with some justification, that land reform cannot be carried out without

landowner co-operation because of an almost cavalier contempt for the law. As the head of one large landowning family in Negros said: "No-one will enforce the judgment of a court two to three kilometres from the towns."

Mr Lacson's alternative has support from many planters and, surprisingly, the far left National Federation of Sugar Workers.

It is designed to bail out the planters from some huge debts, allowing them to produce enough sugar for the local mills and domestic sugar consumption. But it also calls for the transfer of land to the tenants and landless workers and to co-operatives.

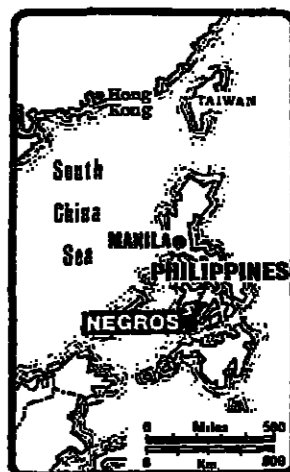
At present more than half the province's 267,000 hectares of sugar land is forecloseable by

the banks. By joining the scheme a landowner with "average" debts with the bank would pass 10 per cent of his land to the tenants, 30 per cent to the co-operative, which would then diversify, and keep 60 per cent for sugar with a restructured and much lower debt.

Mr Lacson counters critics by insisting that his plan buys time before a more comprehensive land reform. Co-operation from the landlords will allow time for the sugar workers to relearn farming skills after years as sugar workers, and allow them to learn farm management. It will also give time for diversification: sugar has no future once lucrative exports to the US at three times the world price stop in about two years' time.

Where the scheme is weak is in the application of co-operative farming. The nucleus estate type of co-operative has thrived in Malaysia but no one knows how it would work with the Philippine culture. Over centuries, feudal dependencies have developed between the peasants and their employers—rice loans in the dead season, health care and education—which will take time to break down.

Meanwhile, the Cabinet's Land Reform Committee is revising an executive order following nationwide consultations. Mr Lacson says he will push ahead with the programme if Mrs Aquino leaves the new Congress to decide the details of sugar and coconut land reform, as is possible.



If Mrs Aquino pushes through with a comprehensive programme, as she is under pressure to do, she will lose a reforming and previously supportive governor in Negros: Mr Lacson says he would resign.

## Zhao attacks conservative opponents of reform

BY ROBERT THOMSON IN PEKING

MR ZHAO ZIYANG, the Chinese Premier, in a major pro-reform speech to senior Communist Party officials, has condemned conservative opponents for fearing that the country is on the road to capitalism.

The speech was delivered two months ago, but not released until yesterday. It included strong criticism of party officials who tried to

broaden a drive against "bourgeois liberalism" or Western influence to include the economic reform programme.

A campaign against "bourgeois liberalism" was launched in the wake of student protests late last year and included the dismissal of the Communist Party chief, Mr Hu Yaobang.

In January the campaign was

supposed to be confined to party members, but conservatives also attacked artists, intellectuals and economic reformers for crossing the party line.

Premier Zhao, in addressing propaganda, media and other party officials, said some party cadres believed "the roots of bourgeois liberalism lie in the economic field," and so they attempted to halt the

progress of reform and to close the "open door".

"This attitude is politically wrong, and is in violation of party discipline," he said. While he did not identify the offenders, at other closed meetings he has named conservatives whom he considers are "ossified" and afflicted by "leftism". The "leftists" have repeatedly condemned the reform programme,

for violating communist principles and for leading the party and country down the "capitalist road".

Premier Zhao criticised the "leftists" for suggesting that leasing of businesses to individuals was promoting private ownership, and stressed that factory management reforms lessening the influence of party secretaries were not a threat to the party's overall power.



Zhao Ziyang

## Hawke victory predicted in tomorrow's election

BY CHRIS SHERWELL IN SYDNEY

MR BOB HAWKE, Australia's Prime Minister, goes into tomorrow's federal election with the latest opinion polls predicting victory and an historic third term for his Labor Party over the opposition Liberal and National Parties.

According to the McNair Anderson poll carried out in all 148 constituencies last weekend, Labor has a lead of no less than 12 per cent over the combined opposition—a margin which, if borne out, would increase Labor's 16-seat majority in the House of Representatives to 50.

The more closely watched weekly Morgan Gallup Poll, also conducted last weekend, indicates Labor has a four-point lead (48 to 44), narrower than in the previous two weeks of the campaign. The gap between Mr Hawke and his opponent, Mr John Howard, the Liberal leader, was at its narrowest in months.

A shrinking of Labor's lead was also reported yesterday in a survey by the Sydney Morning Herald, the country's leading

daily newspaper, while approval of Mr Howard continued to strengthen. Surveys of business leaders were clearly in favour of the Liberals.

The polls are being treated cautiously because of the real margin for error, the significant number of undecided voters and sharply shifting sentiments in the last days of the campaign. Signs have also emerged of a pick-up in support for the Democratic Party, the principal minor party.

Mr Hawke nevertheless had some further encouraging economic news yesterday with the publication of figures showing a fall in unemployment in June to 8 per cent, the lowest level for 12 months.

The stock market has meanwhile continued the strong upward trend begun last week. The widely watched all-ordinaries index, which climbed 85 points last week, soared another 65 points by yesterday to finish at a record level just below the 1,900 mark.

## Hindus protest at Sikh attacks

POLICE FIRED tear gas to disperse angry Hindu crowds in New Delhi yesterday in scattered violence during a protest strike against the massacre of 70 Hindu bus passengers by Sikh gunmen. Reuter reports from New Delhi. Police said at least 200 people were arrested and tear gas fired to disperse crowds who had stoned and tried to burn five Sikh homes, two temples and three shops. One temple was partially damaged by fire while a tyre shop was gutted.

In Punjab eight people were killed in separatist violence bringing the toll in the past two days to 15, according to an unofficial tally.

Police said the victims included a Communist Party official and four members of his family. The activist with moderate Sikh political party and two village headmen killed by militants campaigning for an independent Sikh state in Punjab.

## Peres meets Mubarak

MR SHIMON PERES, Israel's Foreign Minister met President Hosni Mubarak of Egypt yesterday after urging direct negotiations to resolve the Arab-Israeli conflict. Reuter reports from Geneva.

Peres told reporters on arrival that his meeting with Mr Mubarak would be "a great opportunity to summarise both the part of the road we've already done and prospects for the future."

Referring to his joint appeal with Mubarak in February for an international Middle East peace conference this year, Mr Peres added: "We said 1987 would be the year of peace and we are really trying to do our very best to realise it."

"We will have to overcome any difficulties and setbacks, yet we are moving ahead," he said.

## Afrikaner liberals begin talks with ANC in Dakar

BY VICTOR MALLEY IN DAKAR

THE South African liberals and leaders of the African National Congress meeting in the West African state of Senegal began their talks on South Africa's future yesterday undaunted by the scolding heat or the warring scorn from the white establishment at home.

President Abdou Diouf of Senegal, towering above his red-robed, scimitar-wielding presidential guards, opened the conference after watching a frenzied display of traditional dancing by calling for economic sanctions against South Africa and describing the battle against apartheid as the most important issue this century after the defeat of Nazism.

Among those at his side were Mrs Danielle Mitterrand, wife of the French President, and Mr Bryerton Bryertonbach, the exiled Afrikaner poet.

Mr Frederik van Zyl Slabbert, the liberal politician who helped to arrange the meeting, said the aim was to explore

alternatives to what he called the brutal catastrophe unfolding in South Africa, but he acknowledged that the 50 or so Afrikaner liberals with him were on the fringes of white politics. "We are not here to promote any kind of artificial détente or negotiation," he said. "We simply haven't got the power to negotiate."

South African state radio this week described the conference as a gathering of "political terrorism and political imposture," but both the ANC and the Afrikaner liberals see it as a chance to correct white misconceptions about the ANC, which has been pressing for black rights in South Africa for more than 75 years and is now banned.

"A lot of these people have never seen independent Africa," said Mr Thabo Mbeki, leader of the ANC delegation. "They are subjected to a lot of propaganda that if blacks take over, chaos reigns and mums get raped."

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# It's not often we're happy with second place.

Last Sunday's French Grand Prix was certainly a successful day for the Williams-Honda team.

Not only did Nelson Piquet take second place, but team-mate Nigel Mansell came first.

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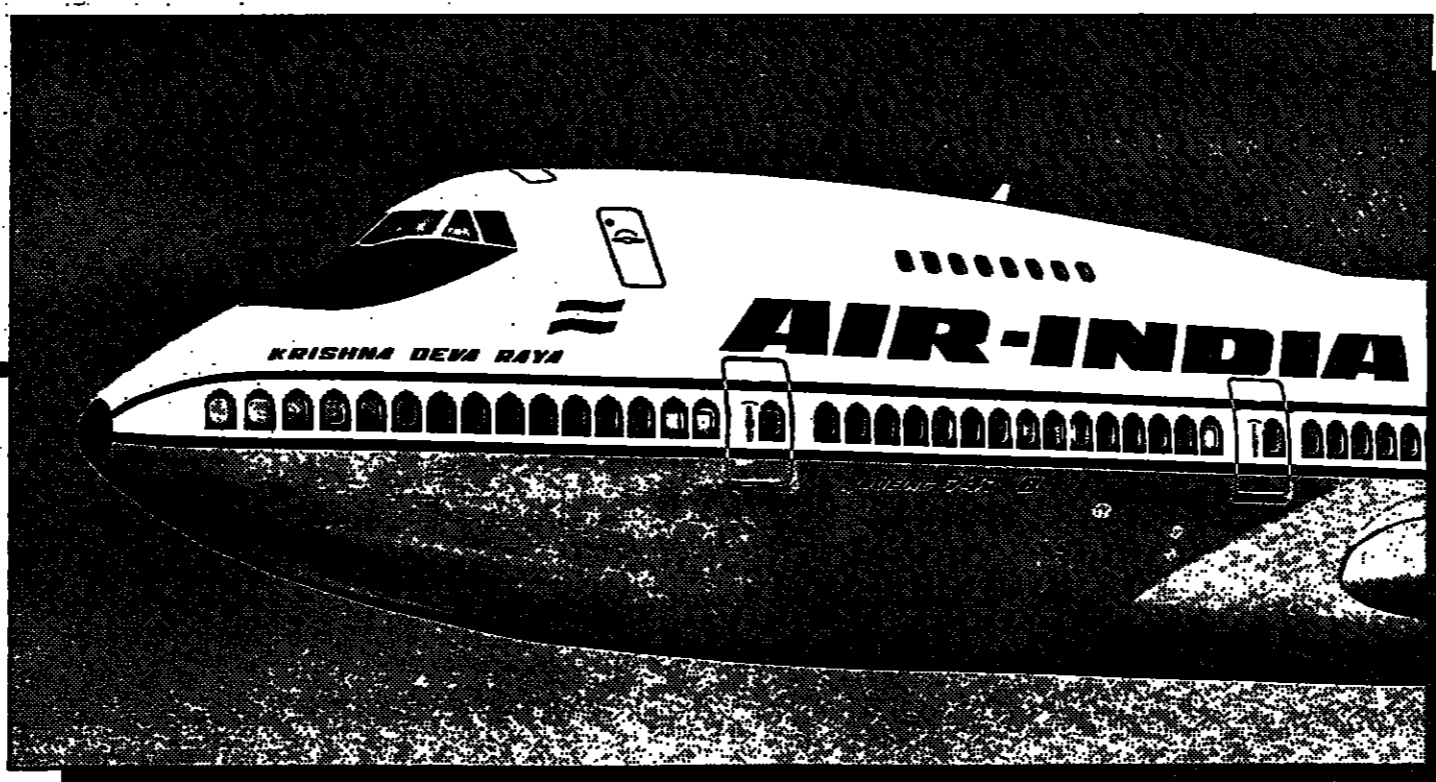
After the race Alain Prost was on record as saying, "I was fighting against two perfect cars, perfect engines and perfect drivers."

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## THE PROPERTY MARKET By PAUL CHEESERIGHT

## London's shrewd innovators

Ask a property man how to make money and the reply will probably come back, "Innovate." In essence, this response has two meanings. First, it suggests doing something before the rest of the pack follows; or finding an area where the sites are cheap now but will become expensive later.

Second, it means finding an angle, a different way of exploiting the trend before the mass of developers have realised its possibilities.

Those who had the courage to invest early in London Docklands, for example, have seen the value of their investments soar. And those who stopped leasing industrial property over 25 years and were prepared instead to accept shorter term rentals, also saw their yields rise.

Here then are two cases of innovation involving companies of different generations. One, London Merchant Securities, with a property owning and developing history going back to the 1940s, had the wealth and patience to hold on to land bought in anticipation of a spread in London's commercial activity. The other, Industrial Ownership, was recently established on the back of an idea to exploit ownership and leasing trends in industrial property.

LORD RAYNE, 70 next birthday, has been a property man for 40 years—the same generation as Lord Samuel of Land Securities, as Arnold Lee, formerly of Imry. He was buying sites before John Sims of Industrial Ownership was born.

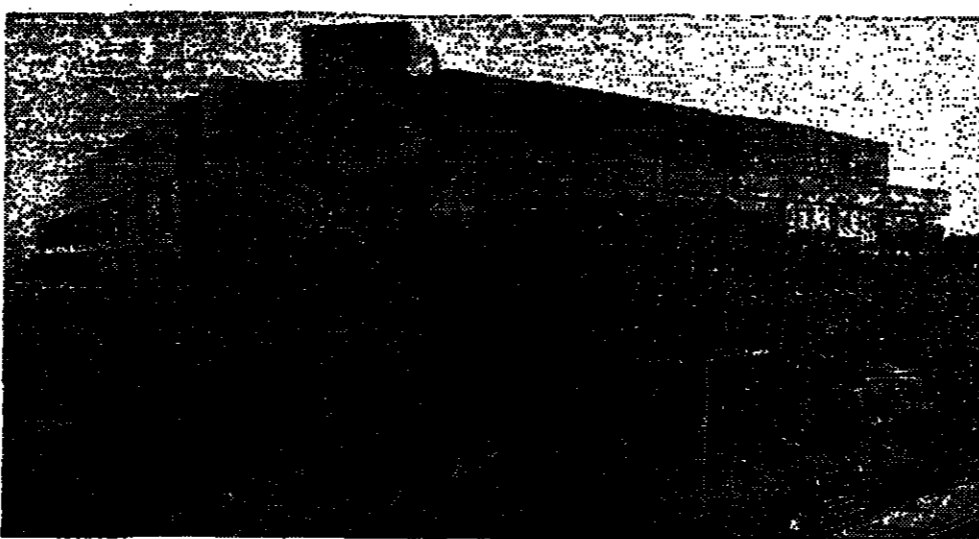
But for some years he has been one of the forgotten men. London Merchant Securities, his company, was mainly interested in property, with oil, engineering and leisure sidelines. But now the diversifications are in other quoted companies and LMS has started to stretch its property limbs.

"Max Rayne is a trend setter," says Wally Millson, one of the LMS directors. "He's

been prepared to develop in areas which are not fashionable." As examples, he cites Eastbourne Terrace by Paddington station and the districts north of Oxford Street, both in the West End of London, and the area around the Angel, Islington—five minutes north of the Bank of England.

These are all areas where younger developers have started buying, pushing up land values.

LMS should be picking the fruits of its patience. It has cheap land on its books which can now be developed or re-developed. The latest formal valuation of its UK property assets is £225m with a historic cost of £31m, but that is 15



The Angel Centre in Islington which was completed by London Merchant Securities in 1983

months out of date in—at least for central London—a soaring market.

In its 1986-87 first half, to last September, LMS had net rental income of £7.4m, or £1.1m more than in the comparable half of the previous year. And that rental income should increase.

Just opposite their new Angel Centre in Islington, LMS have started work on a new office block with 25,000 sq ft of space which has been pre-let to Actua Life Insurance. A City building

in Farringdon Street, built by Lord Rayne 30 years ago has just been modernised and let to the Government.

That development though will be based on the company's own assets, not only in London but also just north of Glasgow where it owns 11,000 acres.

It is not trying to compete with developers seen as more glamorous by the market. Mr Millson quotes Lord Rayne as saying if something only works on a trading basis, it's marginal. "If it's worth doing, it's worth

holding," he said.

But that is not to say that LMS should not take a stake in a developer if it could obtain it cheaply enough. And the company will buy assets, especially in the retail sector. "We would like to buy more shops but we're not prepared to compete with institutions to get a yield of 3.5 per cent," commented Mr Millson.

It has just bought a £9m portfolio producing an initial yield of more than 9 per cent with rent reviews starting next year.

JOHN SIMS spotted two things. He noted that the property investing institutions had lost some of their enthusiasm for industrial estates and he saw that there is a tendency for smaller companies to buy their premises if they can.

Industrial Ownership is the company this 34-year-old entrepreneur set up to bring the two together. "I'm doing for industrial tenants what Margaret Thatcher has been doing for council tenants," he says.

The mechanics work like this. An industrial estate has a value of, say, £25 a square foot as a whole. But an individual set of premises may be worth £29 a square foot to a sitting tenant who wants to buy it. So, buy the whole estate at £25, sell the individual units at £29 or what the market will bear, and hold on to those which cannot be sold for a high yielding investment.

For the institutions the value of the estates is determined by the yield they offer, but they also have a freehold vacant possession value. Realising that value, however, is not the institutional style.

Mr Sims makes the point that the institutional owners "wouldn't court an approach by a single tenant. They don't want the mess. They will only sell to the tenants

## Taking big profits from the institutions

if 100 per cent want to be owners."

So he sees Industrial Ownership as both a clearing house and a growing investment holding company of high-income modern property, where initial yields are 12-13 per cent.

He is interested in the properties built in the 1970s which are now seen as second-

"I'm doing for industrial tenants what Mrs Thatcher has been doing for council tenants"

ary. Grimley, his advisers, estimate there is £1bn worth of this in the country. The Investment Property Database, in its latest analysis of

institutional property holdings, said that 44 per cent of their industrial portfolio was constructed in the 1970s.

Since 1980 though the proportion of industrial property in the average institutional portfolio has fallen from 18 per cent to 12.8 per cent.

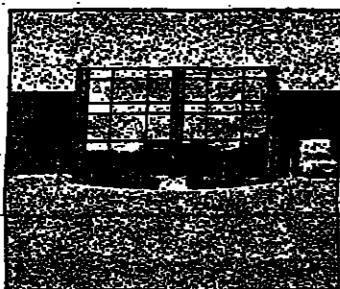
Today he will be signing the contracts for a purchase in south London. This follows purchases of estates over the last 18 months in north west London from Allied Dunbar, in Southall from Barratts, in Peterborough from Abbey Life and in Southend from the East Midlands Local Authorities Pension Fund.

Mr Sims finds the estates and arranges all the finance but works in a running joint venture with Bernard Sunley, the contractors. That association gives him extra stability in arranging finance.

Financing comes from banks—often Belgian, Danish and Irish—which can see the loans turning over quickly as the estates are broken up for sale. "I've found the foreign banks are sympathetic to this sort of lending," says Mr Sims.

To give a certain symmetry to the whole proceedings the institution selling the estates have the opportunity to offer mortgages to the tenants wanting to buy the units that have been sold to Industrial Ownership.

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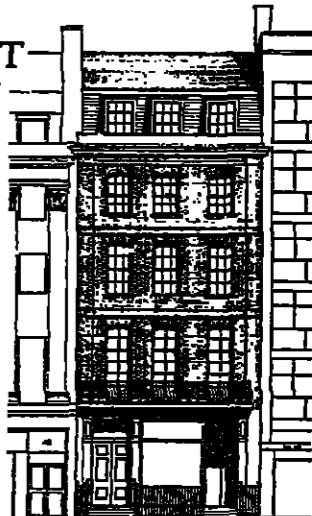
Such is the potential of this area that a consortium led by Kumagai Gumi, the giant Japanese contractor, is assembling an adjacent 10 acre 'commercial campus'. A detailed prospectus is available, contact the sole agents:

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## SECTION II - COMPANIES AND MARKETS

# FINANCIAL TIMES

Friday July 10 1987

**Erith plc**  
BUILDERS MERCHANTS

## Benetton unveils move into financial services

By ALAN FRIEDMAN IN MILAN

BENETTON, the Italian clothing group, has unveiled details of its plan to diversify into financial services and merchant banking.

The casual clothing producer, which last year had L540bn of leasing and factoring business as well as more than L1,000bn (\$752m) of turnover from 4,000 shops in 57 countries, recently recruited Mr Giovanni Franzini, a former investment banking officer at Merrill Lynch in London, to become managing director of its new financial services company.

The Milan-based In-holding is fully owned by the Benetton family's Edizione SpA vehicle and will be capitalised at L100bn (\$752m) by year-end.

The 44-year old Mr Franzini, best known in the Euromarket for having organised the jumbo \$1bn

Republic of Italy floating rate note in 1985, is charged with putting together a financial services group which aims to achieve within the next couple of years business equal in size to the clothing side of Benetton.

At In-holding Mr Franzini will provide over subsidiaries involved in mutual funds; personalised portfolio management; insurance products (Benetton owns 37 per cent of the Italian associate of Britain's Prudential); securities underwriting; currency and interest rate swaps (In-holding has hired swap specialists from Citibank); the flow of outward investment from Italy (which takes advantage of recently relaxed rules on foreign investments) and corporate finance in general.

Mr Franzini has already negotiated a partnership between In-holding and Merrill Lynch in venture capital, a sector which is still relatively

new in Italy. He is expected to develop a merchant banking business in conjunction with three Italian regional banks (including Credito Milanese) in which Benetton owns minority shareholdings.

In addition, In-holding will build a retail distribution network in Italy for its financial products. This subsidiary, which hopes to have 100 agents in place by year-end (and 300 next year), is called In Capital Investments.

Benetton, which expects clothing revenues of L1,300bn this year, was quoted on the Milan bourse last year and is hoping to secure a listing on Wall Street soon. The diversification into financial services was originally the idea of Mr Aldo Palmeri and Mr Carlo Gilardi, two ex-Bank of Italy officials who are, respectively, Benetton group managing director and finance director.

## Fonditalia boosts profits by 58%

By Our Milan Correspondent

LA FONDITALIA, the Florence-based insurance company which is controlled by the Montedison Chemicals concern, yesterday unveiled a 58 per cent jump in its consolidated net profit for 1986, to L95bn (\$71.5m).

The profit was struck on consolidated premiums of L1,713bn (\$1.3bn) up 14.5 per cent on the previous year. This makes Fonditalia Italy's fourth biggest insurer. Total premiums net of reinsurance rose 23.5 per cent last year, to L1,570bn.

Montedison's acquisition of effective control of La Fonditalia last year shocked the old-guard Italian business establishment because Mr Mario Schimberni, Montedison chairman, bought a crucial share packet without asking "permission" from Mediobanca, a minority shareholder in Fonditalia.

Mr Gianni Agnelli, chairman of Fiat and the leader of the old-guard of Italian capitalism, was furious at Mr Schimberni and pronounced the acquisition "diabolical".

Last week a Milan magistrate informed Mr Schimberni and three other board members of Meta, the Montedison subsidiary which controls Fonditalia, that they are being investigated for alleged breaches of Italian exchange control regulations.

The enquiries are focused on the purchase of a 12.5 per cent equity stake in Fonditalia, which is said to have been bought initially by Swiss and other foreign banks and then passed to a Milan stockbroker who sold it to Meta.

Montedison has argued that the investigation is "unfounded".

## Wolters Samsom offer for Kluwer disappoints

By LAURA RAUN IN AMSTERDAM

DUTCH PUBLISHER Wolters Samsom yesterday unveiled its friendly takeover bid for Kluwer, its bigger rival, but only just lived up to its promise of topping a competing offer from publisher Elsevier.

Wolters Samsom is offering two of its common shares plus one newly-issued convertible preferred share and F1 50 (\$24) in cash for one Kluwer share - a bid that exceeded Kluwer's closing price of F1 422 by F1 8 a share.

Elsevier's hostile bid, meanwhile, moved closely in tandem with Kluwer and ended the day at F1 423 a share, or only F1 2 behind Wolters Samsom's offer.

Kluwer, the third largest Dutch publisher, is now valued at more than F1 1bn exclusive of preferred stock.

Wolters Samsom, Kluwer's white knight and the fourth biggest publisher, had promised last week to sweeten its initial offer so as to bet-

ter Elsevier's unfriendly bid but was facing growing scepticism over a merger.

Many investors have doubts about whether Wolters Samsom can afford Kluwer now that it has soared in value amid the vicious takeover battle.

Wolters Samsom added F1 50 a share and substituted one cumulative preferred-dividend share, convertible into one ordinary share, for a common share in the original offer (of three ordinary shares) in an effort to avoid earnings dilution.

Earnings will be reckoned only on common and not convertible preferred stock so that per share earnings will not be affected until conversion.

Investors will be discouraged from converting "in the first few years" by a dividend that is more than double the one for ordinary shares, the two companies said yesterday.

They also noted that after a possible merger "net equity will represent 30 per cent of the balance sheet total" - a healthy ratio that would assure access to the capital markets on favourable conditions.

Wolters Samsom said it would go through with the takeover if it acquired more than 97 per cent of Kluwer's common stock and would reserve the right to drop the offer if less than 97 per cent were tendered.

Shares from hostile holders (such as Elsevier, which owns at least 24 per cent of Kluwer common) may be refused.

The tender offer result will be announced on July 31, when Wolters Samsom will say whether it will go through with the takeover. It already owns 29 per cent of Kluwer through a package of preferred shares and the two companies remain committed to fending off Elsevier.

## Austria to privatise electricity industry

By Our Financial Staff

AUSTRIA plans to raise Sch 8bn (\$820m) through a privatisation of the country's electricity industry.

Mr Robert Graf, the Economics Minister, said the plan involved selling up to 49 per cent of Oesterreichische Elektrizitätswirtschaft, the national distribution company known as the Verbund, as well as 49 per cent of Austria's eight major power production groups.

The divestment is part of government plans to raise funds through sales of minority stakes in companies and banks, including Creditanstalt, the leading local bank.

Under the two-part plan, Verbund would buy the state's stakes in the eight electricity producers, for Sch 8bn by November this year.

Verbund would then sell shares to investors over the next five years, but it would keep 51 per cent holdings in line with Austria's privatisation law passed by parliament last week. Under the plan, 49 per cent of the Verbund itself would be sold, raising a further Sch 2bn.

One third of Verbund's shares would be offered on preferential terms to Austria's provincial power companies. Remaining shares would be available to private investors.

## Hero stake in pasta makers

HERO CONSERVEN Lenzburg, the Swiss confectionary group, has acquired a majority stake in pasta manufacturers Robert Ernst of Kradolf and Gebrüder Weilenmann of Winterthur.

Hero said the two companies and a third, Adolf Montag of Isikon, which they jointly acquired last year, had a combined annual turnover of about Sfr 40m (\$26m) and employed 216 people.

## Olivetti PC for overseas markets

By Our Milan Correspondent

OLIVETTI, the Italian office automation group, has announced details of a new company which will manufacture and distribute home computers outside Italy.

The new company, with an initial capital of L10bn (\$7.5m) is called Prodest International. It will be based at Ivrea in Piedmont, while its factory will be at Pozzullo, near Naples.

Mr Giorgio Fiorenza, managing director of Prodest, says from Milan that the company plans to compete on the international market with low-cost home computers to be sold mainly by retailers.

Mr Fiorenza recently unveiled the PC-1, which he said was the first Italian-built MS-DOS compatible home computer. It will sell for around \$810.

## Stefanel bourse issue to raise L140bn

By Our Milan Correspondent

STEFANEL, the Italian casual clothes producer, is planning to raise L140bn (\$105m) with a debut share issue on the Milan bourse.

More than a third of the flotation of 25 per cent of Stefanel's total equity will be placed internationally in a deal being lead-managed by Swiss Bank Corporation (SBC) in London.

The operation, scheduled for September, will see SBC targeting 6m of the 18m shares on offer to investors in the UK, France, West Germany and Switzerland.

In Italy, the domestic tranche will be handled by Mediobanca, the Milan merchant bank.

The price of the Stefanel shares

will be between L8,100 and L8,800, depending on market conditions. In recent weeks the Milan bourse has been extremely weak and, with continuing political uncertainty in Rome, there are few prospects of an immediate upturn.

The Stefanel share issue would capitalise the Treviso-based company at L560bn, around half the market value of Benetton.

Stefanel, which is planning to expand its network of around 550 franchised outlets in Italy and 150 abroad, is forecasting a 1987 group net profit of around L36bn on sales of L220bn. Last year the group made a L21.5bn net profit on consolidated group turnover of L172.3bn.

All of these securities having been sold, this announcement appears as a matter of record only.

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*(Incorporated with limited liability in Canada)*

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30th June, 1987

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## Royal Trustco Limited

*(Incorporated with limited liability in Canada)*

Issue of

**¥7,000,000,000**  
Step-Up Debentures due 1992

Issue Price 101½ per cent.

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6th July, 1987

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New Issue

7th July, 1987

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New Issue

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Agents

The Mitsubishi Bank, Limited  
Arab Banking Corporation (ABC)

## INTL. COMPANIE & FINANCE

### Wattie in plan to control Cold Storage Holdings

BY OUR FINANCIAL STAFF

WATTIE INDUSTRIES, the dominant New Zealand food processing group, yesterday signalled its intention of taking control of Cold Storage Holdings, Singapore's leading supermarket chain, in a deal which could be worth more than S\$300m (US\$141.1m).

Wattie said in Wellington that it had bought a 17.11 per cent stake in Cold Storage and was negotiating the purchase of a further 34.22 per cent parcel. No price was disclosed, but with Cold Storage shares suspended in Singapore yesterday at S\$4.84, a transaction at market level would be valued at S\$308.5m.

Its original stake, of 21.3m shares, came in 1984 when Cold Storage operates nine supermarket outlets in Singapore.

Trading, while Wattie is now seeking to buy an additional 42.5m shares from Queensland Trading and Holding Company. Both these Australian companies are linked to the Earl of Portarlington, a descendant of the founder of Cold Storage. The Queensland company, which has a local listing, said the Cold Storage stake was by far its largest investment, and that its board would meet soon to consider Wattie's proposed offer.

Wattie said it had a long-standing trading relationship with Cold Storage and wished to use their combined financial, product and marketing strengths to expand Cold Storage's regional activities in south-east Asia.

### Australian takeovers hang in the balance

By Chris Sherwell in Sydney

TWO TAKEOVER offers involving British-controlled companies in Australia hang delicately in the balance yesterday as the bidders moved tactically to enhance their chances of success.

In one, ICI Australia, the quoted local subsidiary of the British multinational, is tendered for one month its ASX12m (US\$149.9m) offer for F. H. Faulding, the Adelaide-based pharmaceutical company. Faulding is resisting the bid.

In the other, CSR, the Australian sugar, rice and materials and resources group, dropped all conditions on its A\$993m bid for Monier, a building materials company which is 48.8 per cent owned by Redland of the UK.

### Casio Computer profits fall 59%

BY YOKO SHIBATA IN TOKYO

CASIO COMPUTER, the Japanese digital watch, clock and calculator maker, suffered a 59 per cent plunge in consolidated net profit to Y2,561m (\$19m) in the year to March as the yen's appreciation hit the parent and its 24 group companies.

Turnover declined by 12 per cent to Y228,780m. Domestic sales of electronic musical instruments and liquid crystal

pocket televisions fared well. However, overseas sales fell by about 20 per cent, a setback which was only partially offset by mark-ups in selling prices and rationalisation efforts.

Key subsidiaries such as Yamagata Casio, Kyowa Seiki, and Daiwa Seiko Industries reported lower sales and profits. As a result, consolidated net profits were 11 per cent lower than those of the parent company.

### Japan warned on deregulation

BY IAN RODGER IN TOKYO

JAPAN received a renewed warning yesterday that it should accelerate the liberalisation of its financial markets if it wants to avoid fresh tensions with the European Community.

Mr. Geoffrey Fitchew, director-general of the European Commission's bureau for financial services, said at a press conference at the end of two days of talks in Tokyo with Japanese financial authorities that the EC was encouraged by the progress already made in liberalising Japan's financial markets, notably in the securities sector, and by the commitments made by Japanese officials to further progress.

However, Mr. Fitchew was worried that the pace of deregulation in the Japanese banking sector would not be fast enough to prevent these issues from becoming major irritants.

The problem, he said, was that foreign banks were unable to raise funds in Japanese financial markets on terms as favourable as those available to Japanese banks, and thus were at a competitive disadvantage. Japanese banks benefited from controlled interest rates on retail deposits, and there was no effective interbank market in the country.

The EC delegation pressed the Japanese authorities in the meetings, the third of a series of informal consultations, to remove interest rate control from smaller deposits. At present, market rates apply only on deposits of Y100m (\$655,000) or over. The Japanese said tax considerations were holding up the liberalisation of interest rates on retail deposits, but the EC argued that there was considerable scope between the present

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STATEMENT OF CONDITION, JUNE 30, 1987

ASSETS	
Cash and Due from Banks	\$ 228,066,815
U.S. Government Securities	
Direct and Guaranteed	89,972,692
State and Municipal Securities	125,343,308
Federal Funds Sold	221,100,000
Loans and Discounts	408,396,930
Customers' Liabilities on Acceptances	18,622,692
Interest and Other Receivables	27,034,522
Furniture and Equipment, net	22,172,223
Other Assets	8,622,344
	\$1,126,451,517
LIABILITIES	
Deposits	\$ 980,352,958
Federal Funds Purchased	23,100,000
Acceptances: Less Amount in Portfolio	18,672,692
Accrued Expenses	16,802,737
Other Liabilities	18,333,142
Capital	\$26,000,000
Surplus	\$7,390,000
	\$1,126,451,517

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Application has been made to the Council of The Stock Exchange for the ordinary shares of 1p each and the holders of its shares of 1p each to be admitted to the Official List.

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Equity & Law plc,  
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London WC2A 3ES.

and  
Savery Mills Limited,  
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Copies of the Listing Particulars will also be available until 13th July, 1987 from the Company Announcements Office, The Stock Exchange, Throgmorton Street, London, EC2P 2BT.

9th July, 1987

£200,000,000

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Interest Period	8th July 1987 8th October 1987
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# AUTHORISED UNIT TRUSTS

Abbey Unit Trst. Managers (a/c)		ASSETS		LIABILITIES	
80 Holmwood Rd, Sutherland NSW 2232					
Real Estate	125.0	125.0			
Securities	125.0	125.0			
Gold & Silver Mt	125.0	125.0			
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مكتبة أمي الأصل

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**MINES—Continued**[illegible]



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## AMEX COMPOSITE CLOSING PRICES

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Continued on Page 35

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## SECTION III

FINANCIAL TIMES  
SURVEY

Repression of black resistance to apartheid has lowered South Africa's temperature, but the problems

remain. Re-elected President Botha pledges "reform yes, surrender no". Black opposition has gone underground while Pretoria tries to co-opt those it considers moderate, writes Anthony Robinson.

## Preparing for the long haul

SOUTH AFRICA has entered its second year under a state of emergency calmer than at any time since riots against the new constitution in August 1984 sparked off violent black protest.

Fear, or at least caution, has triumphed over anger. Unrealistic black expectations of imminent revolutionary change have been dashed.

The white minority which controls the political, security and economic power of the South African state has re-established its authority and much of its confidence. Even the economy is looking in better shape. Despite the exodus of foreign companies, sanctions and the freeze on new loans, the economy should grow by at least 3 per cent this year and next.

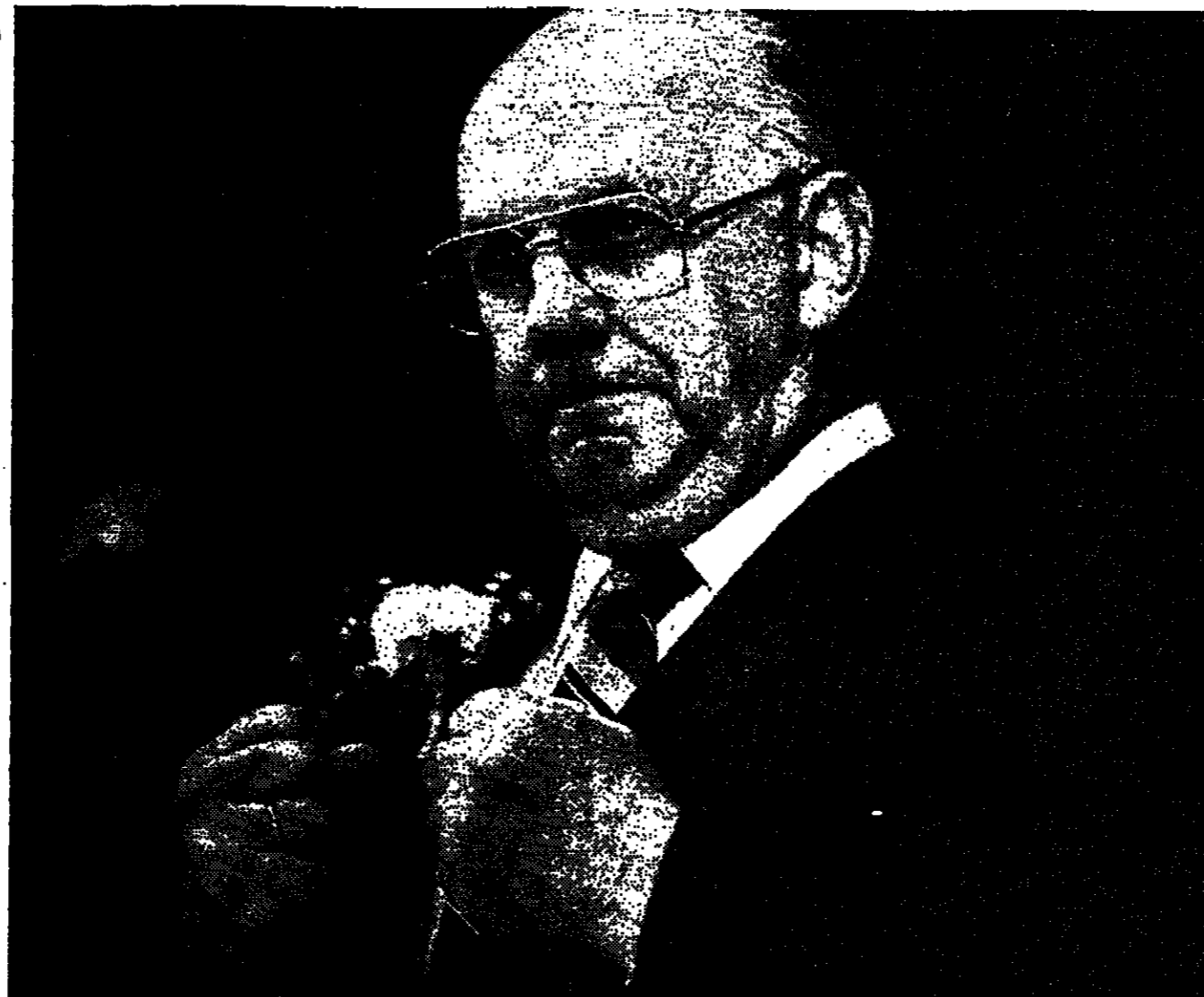
The last three years have left their mark, however. South Africa is a sadder but perhaps wiser place. There are no illusions that the struggle for power is over. At best the emergency and tough security force action has created a truce — a breathing space in which both sides can prepare for the long haul. For the National Party

Government, returned to power at the May 6 whites-only elections, restoration of "order" is seen as a vital pre-requisite for pushing ahead with socio-economic reforms. These are aimed at improving physical conditions in the townships and encouraging the emergence of a property-owning black middle and business class with a stake in the system.

For black "radicals," mourning more than 2,500 victims of violence, repression and inter-racial political feuding, the task is to re-build "alternative structures" and organisations in the townships, schools, universities and trade unions.

It will be an uphill task under the vigilant eye of the security forces, the hastily trained and recruited township police and conservative vigilantes. Although most of the 30,000 or so detainees held for various periods have now been released, around 2,000 of those whom the authorities consider "revolutionaries" are still in detention.

Externally, the exiled leadership of the African National Congress (ANC) is also under



President P.W. Botha: dashing expectations of revolutionary change

## South Africa

pressure to review its tactics and strategy in view of the gap between its revolutionary rhetoric and the reality of white state power inside the country.

Ironically, the main boost to the prestige of the ANC, Africa's oldest and most frustrated nationalist movement, came from President P. W. Botha himself, who made it the central theme of his election campaign.

Five weeks after the elections he justified re-imposition of the state of emergency on June 11 by the continuing strength of the underlying "revolutionary climate." He also declared war on the "current ANC leadership, which he believes is dominated and manipulated by the South

African Communist Party.

Mr Botha won the election by playing on the fears of the white electorate. The National Party won 123 of the 166 elected seats in the House of Assembly, thanks partly to a large swing of nervous English speakers into the Nationalist camp.

But the right wing Conservative Party (CP), and the now insignificant Herstigte Nasionale Party (HNP), gained nearly 30 per cent of the vote. It was enough to make the CP the new official opposition, with 23 seats to the 19 won by the chastened "liberal" Progressive Federal Party (PFP).

What is more, the CP is breathing down the necks of the NP

in dozens of marginal seats.

This leads political analysts to surmise that the government will delay the next elections well beyond the present mid-1989 constitutional timetable. It needs a simple majority in all three houses to do so.

Viewed optimistically, the elections showed that 70 per cent of white South African voters reject, with varying degrees of conviction, the old-style apartheid policies brought to a fine art under Dr Hendrik Verwoerd in the 1960s. The most interesting and passionate revisionists are the middle-aged Afrikaner clerics and academics. They have rejected both the biblical basis of "sepa-

rate development" and the National Party itself as a credible vehicle for anything more radical than the modernisation of apartheid.

The soul searching and inner turmoil beneath the crusty surface of Afrikanerdom is best seen in the strong support given to the three independent candidates in the election and the interest in non-racial solutions, especially among younger middle class Afrikaners.

At the other end of the spectrum, 30 per cent of the white electorate opted for what might be called the Rip Van Winkle option proposed by the CP. Its neo-Verwoerdian vision is based on partition into 13 sepa-

rate ethnic states. The biggest and richest would be white. The only blacks in this white country, tentatively named "Southland," would be millions of "foreign" contract labourers without political, trade union or other rights.

Government critics like Mrs Helen Suzman, the PFP law and order spokesperson, say South Africa is subject to a "creeping coup d'état".

Her former leader, Dr Frederik Van Zyl Slabbert, defines the political struggle as a contest between an extra-parliamentary government, ruling through a network of non-elected, security force dominated technocratic management committees, and an extra-parliamentary opposition.

Meanwhile, many in the outside world interpret the strengthening of executive government and the emergency restrictions as marking a shift away from "reform". This is emphatically denied by a government which feels it has not received enough recognition for the abolition of influx control, legalisation of black trade unions, and recognition of the permanent status of blacks in "white" South Africa, or its commitment to equalising educational standards within a decade, acceptance of rapid black urbanisation, and a long list of other socio-economic reforms backed up by real spending shifts.

Critics respond that apartheid has merely been trimmed back and modernised. What remains, they say, is the core essence of "separate development" — the population registration, group areas and separate amenities acts — and those monuments to Dr Verwoerd's concept of "grand apartheid," the 10 ethnically-defined black homelands. Four are nominally independent states and a fifth, KwaZulu, is being pushed in that direction.

The government may modify aspects of these bedrocks but not the substance.

The President has made clear that under his leadership constitutional change will remain firmly wedded to "group", meaning ethnic, politics. Pretoria's ideal is to arrive at a form of power sharing between elected white, coloured, Asian and black leaders at local, regional and ultimately national level, which will not lead "to the domination of one group by another." In plain English this means a solution

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which allows every group to have their say at all levels — but ultimately leaves the whites in control.

The latest exercise in group based power sharing came into operation this month when the first Regional Service Councils (RSCs) make their debut. Bitterly criticised by business, which will finance them through new levies, the RSCs are seen by government planners as instruments for channeling resources from rich white local authorities to their poor black neighbours.

It remains to be seen how effective they will be. Thus far "power sharing" has proved an elusive goal. The problem in the perspective words of Sir Laurens van der Post is that the Government "offers blacks terms they can't accept without losing the authority they have over their people."

That applies not only to "radicals" like the ANC and the anti-apartheid United Democratic Front (UDF) but also to powerful "moderate" black leaders like Zulu Chief Mangosuthu (Gatsha) Buthelezi. One of the tests of the Government's commitment to power sharing will be its future attitude towards proposals for multi-racial government in Natal Province drawn up by the so-called Natal Indaba.

The need to offer black leaders options sellable to their followers was underlined by a black mayor, Mr Esau Mahlati, in his speech bestowing the freedom of six black townships south east of Johannesburg on President Botha last month.

He called on the President to abandon his proposed "national statutory council" — rejected by blacks as a toothless advisory body — and change his opposition to black participation in Parliament. Blacks, said the mayor, would only be satisfied with equal participation in a central parliament with whites.

The bottom line message to the Government was stop wasting your time looking for black stooges.

But the last three years have shown there are no "quick fixes". The race between the tortoise of reform and the hare of revolution is essentially a struggle for black hearts and minds. It is a struggle which will continue to be fought at all levels of a complex society in the midst of profound and confused transformation.

The great underlying strength of the South African economy has begun to show up the fallacies of revolution that gained currency here, and especially abroad, in the past two years.

Business Day, March 26, 1987

The latest Business Confidence Index of the Association of Chambers of Commerce of South Africa states:

"It is clear that business sentiment is continuing to strengthen and that economic perceptions in South Africa are gradually improving.

The positive impact on the business mood has come mainly from gold, the rand, and the dollar, although signs of improvement in the real economy are also apparent."

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## Trade unions

## Sharp rise in number of strikes

**T**IMES ARE HARD and getting harder for South Africa's black trade unions. In the absence of formal political rights for blacks, the unions have come to articulate the political as well as economic aspirations of a government determined to break what it sees as "unrealistic expectations" and force the unions back into narrowly defined channels of wage bargaining and workplace issues.

At the same time, the union movement is being forced to clarify its views on the politically fraught issue of disinvestment by foreign companies. Disinvestment has increased pressure on Pretoria to abolish apartheid, as originally expected, and has benefited white South African business, the buyers of cheap foreign-owned assets, rather than black workers or budding entrepreneurs.

This has forced the unions to re-think their position and a major debate on disinvestment is expected to dominate proceedings at the annual conference of the Congress of South African Trade Unions (Cosatu) to be held at Witwatersrand University in mid-July.

Hundreds of union officials were included in the successive waves of detentions without trial which have filled the jails during the state of emergency. Most have since been released, partly because of protests from managers worried about the disruption to labour relations. Pressure on the unions continues, however, and they are expected to lose some of the financial and other support from the international trade union movement as part of the Government's general crackdown on foreign funding.

On May 1 the Government banned all May Day rallies and demonstrations. This move partially rebounded a week later when at least half a million workers stayed away for two days in protest against the May 6 whites-only election. On the day after the elections, a powerful bomb exploded in the basement of Cosatu House in Johannesburg, forcing the evacuation of affiliated unions which had their offices there.

Since then, Cosatu unions, including the powerful National Union of Mineworkers (NUM), have been operating out of temporary accommodation, in most cases without telephones, scattered throughout the city. Cosatu, which is aligned with



Mr Jay Naidoo, General Secretary of the Confederation of South African Trade Unions

the United Democratic Front (UDF), the anti-apartheid umbrella organisation, but has no formal links with it, has emerged as the major force in the black trade union movement.

Unity remains elusive, though. In May last year, Zulu Chief Gatsha Buthelesi, a fierce critic of both Cosatu and the UDF, as well as a strong opponent of disinvestment, launched the United Workers Union of South Africa (UWUSA) at a May Day rally in Durban. It claims over 130,000 members and is a significant factor in the Natal coal mines and the industrial areas of the province but has little influence elsewhere.

Other significant developments over the past year have been the merger between the two black consciousness-oriented federations—the Council of Unions (Cusa) and the Azanian Confederation of Trade Unions (Azactu)—in October 1986, and the demise of the last, old-style, non-racial federation, the Trades Union Congress of

South Africa (Tucsa).

Perhaps the most significant development on the white union front was the election to Parliament on the right-wing Conservative Party ticket of Mr Arrie Paulus, the white miners' union leader. He will now be in a position to carry on his rear-guard action from the opposition benches against the long-promised removal of racial job reservation in the mines.

The last three years of violent protest and emergency conditions have seen a sharp rise both in the number and duration of strikes. Last year official statistics issued by the Department of Manpower indicated 643 strikes and 150 "work stoppages" involving 323,000, mainly black workers, and the loss of 1.16m man days. Over 40 per cent of work days lost were registered by the mining industry alone.

Traditionally most South African strikes have been of short duration, and even last year most strikes were settled within three days.

The first six months of this year, however, were marked by two of the longest and most bitter strikes in South African labour history: the 10-week-long OK Bazaars strike and the three-month-long strike by 18,000 railway workers employed by the state-owned South African Transport Services (Sats).

Both strikes were finally settled after lengthy negotiations by lawyers acting for the respective parties, and both were widely viewed as "victories" for the unions.

The longer term result of the Sats strike is expected to be a fundamental change in labour relations inside Sats and the extension of the Wiehahn reforms to the public sector, including so-called strategic industries.

Already Mr Jay Naidoo, Cosatu's general secretary, reports that thousands of black workers in the public sector, including hospital and health workers, are applying to join Cosatu unions as a result of the Sats

strike outcome.

Cosatu, the largest union federation, which was formed in December 1985 with 450,000 affiliate members, has since grown to 750,000 members in 23 affiliates. The number should be reduced to 12 by its second congress in July. The reduction in numbers reflects the progress towards re-structuring the black trade union movement into fewer, larger unions on the principle of one industry, one union.

A major step forward in this direction took place in May with the merger of seven Cosatu affiliate unions in the auto, metalworking and engineering industries into the 130,000-strong National Union of Metalworkers (NUMSA). It has become the second largest union after the 390,000-strong National Union of Mineworkers (NUM).

This year, with growth expected to reach 3 per cent and most companies reporting substantially higher profits, the unions are pressing for above inflation rises. Cosatu is co-ordinating action through its "living wage" campaign, which includes a R4 per hour minimum wage demand.

The danger is that higher minimum wages and greater labour rigidity, coupled with relatively low investment and low productivity, could further reduce job opportunities in the formal sector. This was pointed out by the recent president's council economic advisory committee report on unemployment.

Already over the past five years some 140,000 jobs have been lost in manufacturing, 280,000 in agriculture and 75,000 in construction. Even the mining industry, which up to now has bucked the trend, thanks to massive investment in new mines, is finding that higher wage costs are making it imperative to spend more on labour-saving mechanisation.

The emerging pattern seems to be that of a smaller, but better paid and union-protected labour force in the formal, first world sector of the economy, and a growing army of unemployed. Present unemployment is estimated at 3.3m of the 12m potentially active labour force. By the year 2000 this could rise to 5.8m unless millions of new jobs are created in the informal, non-unionised sector, through de-regulation, privatisation, and self-employment.

Anthony Robinson

## Namibia

## International chess

**I**N HIS OFFICE at the Tintenpalast, the imposing reminder in Windhoek of Namibia's German past, Mr Andreas Shipanga eloquently argues the case of the territory's multiracial administration in which he serves as Minister of Commerce, Mining and Tourism.

Mr Shipanga was once a senior member of the South West Africa People's Organisation (Swapo), the nationalist movement waging a guerrilla war of independence, but ran foul of its leadership. After his release from detention in Tanzania he eventually returned to Namibia to head a break-away party, which is today a member of the so-called "government of national unity" established under South Africa's auspices in July 1985.

Most of the pillars of apartheid in Namibia (South West Africa) have been knocked away, says Mr Shipanga: pass laws abolished, racial discrimination ended, residential areas desegregated, hospitals opened to all races (although de facto segregation by ward continues, he acknowledges).

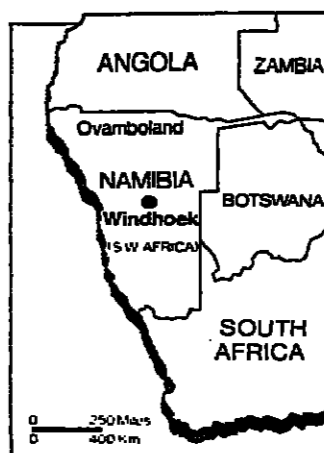
A 62-member national assembly, drawn from six political organisations ranging from the all-white National Party (which shares many of the values of its counterpart in South Africa) to parties calling for majority rule, enjoys a considerable degree of local authority.

Yet the stalemate in efforts to secure an internationally acceptable independence for Namibia, and end a 20-year guerrilla war, is as entrenched as ever. The South Africa Government, the ultimate authority for the territory in defiance of the United Nations and represented in Namibia by an administrator-general, Mr Louis Pienaar, seems committed to a constitutional formula at odds with what Mr Shipanga, Swapo and the UN advocate.

Although Pretoria's thoughts are couched in the code-word vocabulary of South African politics, it is apparently seeking a formula which would ensure that the territory's 100,000 whites (a little under 10 per cent of the population) retain not only a dominant influence in the future but have control of their "own affairs".

On the military front, Namibia's future remains linked to developments in neighbouring Angola, the vital base for guerrillas of Mr Sam Nujoma's Swapo and itself gripped by a stalemate of a different sort.

South Africa is backing the



challenge, it would seem an unlikely time to change the status quo. "Namibia and its inhabitants have become trapped in a multi-dimensional game of international chess," observes Mr Sean Cleary, a former senior South African official, once on the administrator-general's staff and who remains based in Windhoek as a consultant.

On this chessboard, Namibia's political parties appear as little more than pawns. Most observers agree that Swapo—drawing heavily for its support from Ovamboland—at the heart of the war and representing about half the population, would in all likelihood win a majority of the seats at stake in independently supervised elections.

But with its guerrilla force struggling against formidable opponents, its military prospects of victory are forlorn and the diplomatic avenue to power remains closed. Prospects for the internal parties attaining real power are as bleak, although in the short term, at least, their leaders enjoy the benefits of South Africa's willingness to allow a severely circumscribed local authority.

They are subject to Pretoria's veto on any independence constitution they draw up—a process now under way. One set of proposals, due to be published this month, provides for what might be termed a majority rule system based on proportional representation and providing for minority rights. The other, drawn up by the local National Party, is close to embodying Pretoria's concept of what is suitable for Namibia.

It is improbable that the former will win support from Pretoria. As for the international community, it is likely to point out that all parties to the dispute have agreed, in principle at least, to the independence plan first set out nine years ago at the United Nations and known as Resolution 435.

It need not be treated as "a holy cow," as one of its architects has acknowledged. But the western powers and the African front line states would require clear and unequivocal evidence that Pretoria was prepared to surrender its control of Namibia before allowing Resolution 435 to unravel.

The Windhoek Administration, tied economically to South Africa and sheltering under its security umbrella, cannot declare independence unilaterally—a pipedream which sometimes enlivens political debate in Windhoek.

Michael Holman

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## Stock Exchange

## Record year for new issues

WHEN LESOWA BAKERIES (Lebaka) is listed on the Johannesburg Stock Exchange on July 22 it will mark a watershed for the exchange. Lebaka will not only be the first black-controlled firm to be quoted on the exchange but its flotation will form part of a record year for new share issues.

In the five months to the end of May this year, 34 new companies had been listed on the market. The total for last year was 67 and Johannesburg stock-brokers estimate that 100 new names will be added to the market lists this year.

The surge of new issues since the start of 1986 is indicative of the distortions of South Africa's financial markets. Though most corporations can borrow from the banks at negative real interest rates, it is cheaper to raise capital through the stock market. By mid-June industrial shares provided an average dividend yield of 2.9 per cent and the industrial sector was rated on an average earnings multiple of 14.4. A year earlier those ratios were a dividend yield of 3.9 per cent and an earnings multiple of 11.

On the whole, these investment measures are what one

would normally expect at the height of an economic boom, rather than in the early stages of a potentially fragile recovery from the worst post-war recession. The investment ratios, however, take into account the sharp recovery in corporate earnings currently under way and the limited investment options available to South African institutions, trapped behind comprehensive exchange controls.

Stockbroker Richard Jesse reckons that corporate earnings growth will peak in the region of 40 per cent in October this year, and that the rate of growth of dividends will top out in the region of 30 per cent by the end of the year. Corporate earnings and dividends have recovered strongly from their recessionary depths as a result of lower interest burdens and improved trading conditions.

Brokers believe that the swirl of new companies is "a good thing." Six financial and insurance groups which straddle the South African private sector control 60 per cent of the wealth represented by the JSE's capitalisation. And brokers say that the flood of new issues is symptomatic of the country's

continuing entrepreneurial drive.

To an extent the brokers are right, but many of the new issues were designed simply to allow owners of private companies to realise all or part of their investments. At the end of 1986, as corporate and private investors continued to scramble for equities, the JSE actuates overall stood at 1972 which represented an advance of 67 per cent on the closing level of 1985. Gold shares closed the year 73 per cent higher than at the start with the All Gold Index rising from 1,165 to 1,908, and the index of industrial shares rising by 33 per cent to 1,424 from 1,068.

This year the pattern has been different. Gold shares have been restrained by the combination of gold's reluctance to move towards \$500/ounce, soaring mining costs and foreign hesitancy over South African shares. By mid-June the All Gold index was about 9 per cent higher than at the end of 1986. The overall index was about 11 per cent higher and the industrial index had notched up a 33 per cent advance.

This year rand-denominated

export earnings of mining companies have not benefited from the rand's weakness. Coal exporters in particular have been hit by lower dollar prices for coal and sanctions-induced export declines. Investors have shied away from the minerals sectors and, brokers report, are concentrating on the sectors which will benefit from the government's promotion of inward industrialisation. They are less concerned with gold shares, particularly as foreign holdings continued to hang over the market.

Movements in the gold sector are likely to be prompted by shifts in foreign perceptions. At present, foreign shareholders can count on dividend yields of as much as 10 per cent on blue chip South African gold mines, compared with yields in low single figures on shares in smaller Australian or Canadian producers. That is the measure of the risk perceived in investing in South Africa—a risk measured by the fact that for more than a year the financial rand has generally been worth less than half the external value of the commercial rand.

Jim Jones



Trading floor of the Johannesburg Stock Exchange

## Gold

## Production target uplifted

FINANCE MINISTER Barend du Plessis earlier this year said that South Africa's mines would lift their annual gold production to 700 tonnes by the end of the decade. It is a tall order for an industry that has had an almost steady decline in production since 1970 when it peaked at fractionally more than 1,000 tonnes. The target represents a rise of 10 per cent on the 636.2 tonnes produced from all sources in 1986, and a target made more difficult to hit by the fact that production in the first four months of this year was almost 3 per cent less than in the corresponding period of 1986.

Mr Du Plessis' estimate relied largely on the view that the record levels of capital spending by the mines would lift ore production sufficiently to overcome grade declines. Last year, the Chamber of Mines' gold mining members spent R2,423m on capital projects—a whisker less than twice the amount they spent in 1985. Coincidentally or not, that growth in capital spending precisely matches the consumer price index's rise over the same period—and on that basis real capital spending was no greater in 1986 than in the first years of this decade. None the less, capital spending has allowed the mines to increase their total production of ore each year since 1976.

Gold production has fallen because the mines are locked into an irreversible situation of declining grades. Mines are wasting assets and South African mine managers, like their colleagues worldwide, want to maximise returns on investment by mining higher grades of ore first and then working progressively lower grades.

To a considerable extent, capital spending in recent years has been targeted at increasing mill throughputs, as a means of controlling cost increases. It appears not to be succeeding as well as hoped. Between 1980 and 1986 South Africa's production prices rose by 87 per cent, while the unit cost of mining and processing each tonne of gold ore increased by almost 94 per cent. Over the same period, productivity, measured by the tonnes of ore broken per employee, improved by 12 per cent, while black wages rose by almost 119 per cent and white wages by a slower 63 per cent. In other words, black miners' wages have been rising substantially faster than warranted on pure productivity and inflation-matching grounds. While miners' wages have not risen, however, that is not an argument heeded by newly unionised black miners who are determined wages will recover from decades of no collective bargaining.

The mineowners' dilemma will be hard to solve. The geology of the gold fields makes wide-scale underground mechanisation difficult. New processes which improve efficiencies are possible on the surface, as was shown by the wide-scale introduction of carbon-in-pulp (CIP) and carbon-in-leach (CIL) developments which improved gold recoveries in ore treatment plants.

Underground it is a different matter. Attempts to introduce



Scrapping freshly poured gold bars



Finance Minister Barend du Plessis: optimism on output

new underground machinery are met with intense suspicion by the men likely to be displaced. Last year the Randfontein and Western Areas mines announced plans to cut labour forces by 20 per cent or so by introducing trackless haulage equipment in wide stopes. The men's response, management says, was a series of unofficial strikes, go-slows, absenteeism and malicious damage of machinery. Talks failed to result in agreement on retrenchment terms and labour disruptions cut gold output sharply at both mines in the first half of this year.

The black miners' attitude is explained by a member of the National Union of Mineworkers (NUM): "Job reservation means that black miners' wages are a fifth of white miners' and now the union is winning increases which help narrow the gap. Management wants to bring in machines to lay men off. Where were those machines when 'black' miners weren't unionised?"

Employers had hoped that productivity improvements would be possible by the scrapping of racial clauses in the Mines and Works Act which prevent black miners from occupying supervisory line positions. Electoral considerations helped persuade government to delay fulfilment of its promise to remove the job reservation clauses by the end of last year. Legislation to abolish the remaining racial job reservation clauses was tabled in parliament in June this year and race alone will no longer be the determinant of who does what work.

However, mine managers will not be free to employ whom they like to fill supervisory line jobs. The minister, or a committee appointed by him will decide on appointments, which leads the Chamber of Mines to fear that statutory racial job reservation will be replaced by regulatory job reservation. In the wake of last September's disaster in which 177 employees were asphyxiated at the Kinross mine, the NUM argued that job reservation, which excluded black miners from mine safety committees and which stretches the supervisory capabilities of white miners, is a principal contributor to the mining industry's appalling death rate.

More than 600 men die each year in South Africa's gold mines and collieries and black miners die more than twice as likely to die in mine accidents as white. Mr Jean Leger, who has researched mine accidents, blames the system of production bonuses paid to white miners for the inadequate approach to safety. And union officials fear that while the industry continues to emphasise production increases the death rate will not decline materially.

Black miners, who have only been allowed to unionise in the past five years, are not simply concerned with wages and safety. One of the NUM's present demands is for equal treatment between black and white based on a scrapping of the migrant labour system. The union wants the black single-sex compounds, which resemble vast prisoner-of-war camps, scrapped and replaced by subsidised married accommodation as is the case with white miners.

Anglo American, and some of the other mining groups, have plans to provide black employees with married accommodation. But as Mr Julian Ogilvie Thompson, the Anglo chairman, said in his latest annual report, government's co-operation will be necessary as, too, will be the repeal of the Group Areas Act. The sheer cost makes it difficult to envisage any massive spending on married housing by the mines.

Jim Jones

## Exchange control rules start to bite

NEW EXCHANGE control regulations were invoked by one South African Reserve Bank in early June this year. And it seized all the assets of three officials of a commercial bank who are due to appear in court in August on charges of contravening the country's stringent exchange control regulations.

Their alleged crime was "round-tripping," a device by which investments priced at the effective financial rand rate were bought abroad illegally using commercial rand. They were then repatriated to South Africa for sale to create more commercial rand. Profits accumulated rapidly as, at the time, the financial rand's external worth was less than half that of the commercial rand. Seizure of the assets was designed to show that exchange controls have teeth.

The financial rand (FR) was reintroduced in September 1985 both to discourage divestment and

to prevent foreigners' snowballing divestment from South Africa from swallowing the country's foreign exchange reserves. It separates non-residents' rand holdings into a restricted pool so that a non-resident selling a South African investment receives payment in rand which can only be converted into sterling or dollars by being sold through the pool to another non-resident who wants FR. There is no loss of foreign exchange and the FR's effective exchange rate is substantially less than that of the commercial rand.

The market in FRs is not open to South African residents and is comparatively thin and volatile since it reflects the balance of non-residents' willingness to hold South African assets. Standard Bank and UAL, the principal banks operating in the market, normally quote two-way rates with a spread of 0.5 US cents but good for only R500,000. Anything more

than R500,000 will move the rate sharply.

Nevertheless, it is not an altogether limited market. FR can be created simply by selling assets or shares to South African residents. The rand receipts from that sale to resident South Africans have to be deposited in specially designated FR accounts and can be used either to acquire further assets in South Africa or shares to be transferred to London for sale at dollar denominated prices there.

The converse is that non-residents can invest in South Africa at more advantageous yields than are available to South Africans themselves. In the case of gold mining shares, for example, a non-resident buys at a dollar price determined by the rand price in Johannesburg and the current FR exchange rate. However, when dividends are paid they are remitted to the non-resident in

dollars at the commercial rand exchange rate.

At present, entry into South Africa through the FR market is limited to non-residents wanting to buy equities or fixed assets. However the South African exchange control authorities are expected to allow the FR market to be expanded. Back in the seventies and early-eighties, before financial rands were briefly abolished, foreign owners were allowed to introduce new financing into the country through the FR market. One of the largest deals was done by Volkswagen, which brought in more than R100m to finance the re-tooling of its motor plant. Restoring this use of the FR is under consideration in Pretoria as a means of persuading foreign firms that there are advantages to staying and expanding in South Africa.

Jim Jones

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Gold Production by Chamber Members

Year	Gold Milled tonnes	Gold Produced tonnes	Gold Revenue Rm	Pre-tax profit Rm	Capital expenditure Rm	Dividend Rm
1979	83.5	702.8	5,666	3,537	689	963
80	89.9	684.3	9,965	7,335	922	2,279
81	91.9	645.3	8,301	4,909	1,222	1,685
82	95.0	682.0	8,515	4,498	1,256	1,372
83	99.9	654.8	9,513	5,338	1,408	1,731
84	101.1	651.3	10,399	5,989	1,645	1,689
85	104.6	637.0	13,354	7,801	1,911	2,322
86	107.7	608.9	15,677	8,307	2,416	2,545

Chamber of Mines members only  
Source: Chamber of Mines of South Africa





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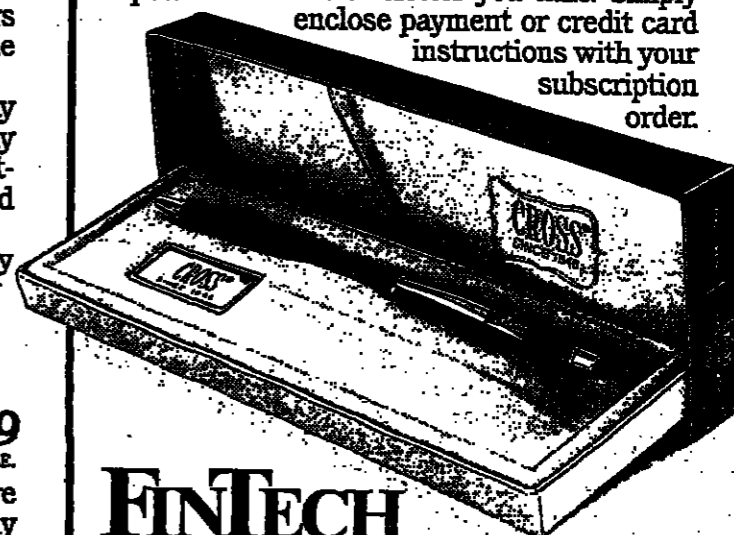
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